STATEMENT OF PURPOSE

RS21315

This legislation returns the current statutory state expenditure limit back to its original level when it was enacted in 1980 and removes the adjustment mechanism. It would limit state general fund appropriations to five and one-third percent of Idaho personal income, less net government transfer payments. If state revenues exceed the expenditure limit, excess revenues will be used in the following order:

1. All revenues that are statutorily required will be transferred into the budget stabilization account;

2. A limited personal property tax exemption, as authorized under Idaho Code 63-602KK, will be funded on an ongoing basis, until such time as the legislature permanently eliminates personal property tax;

3. Idaho personal and corporate income tax and franchise tax will be permanently, incrementally reduced, until the top marginal rate is five percent, with reductions in the lower personal brackets; the remaining brackets will then be expanded.

FISCAL NOTE

There is no fiscal impact to the general fund of the state of Idaho in fiscal year 2013. There is no fiscal impact to the general fund of the state of Idaho in fiscal year 2014. Beginning in fiscal year 2014 and thereafter, appropriations from the general fund would be limited to 5.33% of Idaho personal income, less net government transfer payments. If state revenues exceed the expenditure limitation in fiscal year 2014 and thereafter, the first $20 million of excess funds will be used to implement partial personal property tax relief, under Idaho Code 63-602KK. If there are additional excess revenues, they would be used to reduce income tax rates, which will become effective January 1, 2015 or thereafter. If income tax rates are reduced due to excess revenues above the expenditure limitation, general fund revenue will be affected once the rates are reduced, but no sooner than the second half of fiscal year 2015 and thereafter.

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